THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED · 1972 ANNUAL REPORT

The cover features the Company's new "wordmark" (a trademark incorporating the acronym Inco), corporate signature style, and colors, components of the corporate identity program adopted in 1972. The program is designed to unify the appearance of the Company's advertising, promotional brochures and technical literature worldwide and to heighten customer recognition of Inco's products.

Table of Contents

Results in Brief

	1972	1971
	(In thousands except where noted by asterisk)	
Net Sales	**$900,323**	$789,229
Net Earnings	**$109,906**	$ 94,242
Per Common Share*	**$1.47**	$1.26
Dividends Paid	**$ 74,525**	$ 96,862
Per Common Share*	**$1.00**	$1.30
Capital Expenditures	**$125,162**	$244,234
Ore Mined (dry short tons)	**19,200**	27,600
Nickel Deliveries (pounds)	**425,100**	342,500
Copper Deliveries (pounds)	**308,200**	340,300
Platinum-Group Metals & Gold Deliveries (troy ounces)	**452**	437
Employees*	**32,082**	36,089
Shareholders*	**92,024**	92,217

Dollar figures in this Report are expressed in United States currency, unless otherwise stated.

La traduction en français du texte de ce rapport sera envoyée sur demande.

Message to Shareholders

L. Edward Grubb

Albert P. Gagnebin

As the report which follows demonstrates, 1972 was a year of recovery and improvement for your Company. There were improvements in operating efficiency, in sales and in earnings. We expect these trends to continue in 1973.

In its mining and processing operations, the Company achieved substantially greater efficiency as the cost control program initiated in 1971 took effect. In its sales and marketing activities, the Company reorganized to meet increasing competition, and a considerably higher level of sales was attained in spite of reductions in selling, general and administrative expenses. An important development during the year was the sale for the first time of a large quantity of nickel to the People's Republic of China.

These improvements in operating and marketing performance were reflected in earnings, which were 17 per cent higher than in 1971. The Company generated more cash than it spent for the first time since 1965. By using these funds and by reducing marketable securities, we were able to make a significant reduction in debt.

The production cutbacks which commenced in the latter half of 1971 were completed by the spring of 1972. Production of nickel was approximately 20 per cent below the peak level of 500 million pounds in 1970. Total employment (including mine-development contractors) was down by slightly more than 20 per cent from its peak level in mid-1971. The Company's lower rate of production during the year afforded an opportunity to give closer attention to mining and processing efficiency. Coupled with a rigorous and continuing review of expenditures, this resulted in significant cost savings.

Nickel consumption in those areas of the world in which the Company has traditionally marketed its products showed a strong recovery during the year, increasing by approximately 10 per cent to slightly more than 900 million pounds. There was little alteration in the consumption pattern either as to end-use or geographical area. These statistics, once reasonably indicative of world markets, are becoming less meaningful because of the growing importance of markets in Eastern Europe, the Soviet Union and Asia, areas for which accurate statistics are unavailable. For this reason, we no longer include comprehensive consumption figures in our Report. So far as long-range growth in markets which the Company has historically served is concerned, we estimate it will average six per cent compounded annually. For shorter periods of time, of course, consumption can be expected to vary from this projection.

A reorganization of the Company's management structure was made during the year. The principal change was to place more responsibility and accountability on subsidiary companies, divisions and operating locations throughout the world. In general, we have tried to decentralize as much as possible without weakening the requisite degree of corporate control over broad policy, planning, financing and the selection of senior personnel. We have had encouraging results from these changes and they are expected to be reflected in further improvements and efficiencies in the future.

For some years, the Company has been striving to supplement its Canadian production with projects based on lateritic deposits in the tropics, where 80 per cent of the world's nickel reserves are to be found. In 1972 two of these projects, Indonesia and Guatemala, advanced to the point where construction could commence in 1973; within recent weeks the timetable for Inco's project in New Caledonia was presented to the French government. The availability of nickel from overseas projects is essential to the future health of the Company. While we continue diligently to search for new orebodies in Canada and have succeeded in increasing our proven reserves in this country, it is imperative that these reserves be developed prudently and with the long-term interest of shareholders, employees, customers and communities in mind. Access to supplementary sources of nickel should assure that the Company remains strong and competitive in the nickel industry.

In short, your Company has made significant progress in dealing with the problems of 1971-1972 and shareholders should be able to look forward to a continued improvement in its performance.

Albert P. Gagnebin,
Chairman

L. Edward Grubb,
President and
Chief Officer

February 15, 1973

The use of multi-boom rigs for shaft sinking, such as this one in the Pipe mine near Thompson, Manitoba, typifies the mechanized operations at Inco's mines.

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED
AND SUBSIDIARIES
Sudbury, Ontario
February 15, 1973

Financial Review

Net earnings in 1972 were $109.9 million. This was $15.7 million, or 17 per cent, higher than the comparable figure of $94.2 million in 1971. Earnings amounted to $1.47 a share in 1972, compared with $1.26 a share in 1971.

Net sales in 1972 were $900.3 million, compared with $789.2 million in 1971. This increase, which was a major factor in earnings improvement, was attributable primarily to a 28 per cent increase in sales of primary nickel products, and to a 10 per cent increase in sales of rolling mill products. These favorable factors were, however, somewhat offset by a 10 per cent decrease in copper sales as a result of lower production.

Despite a continuing cost-reduction program in all areas of the Company's activities, unit and total costs were higher in 1972. A contributing factor to higher costs was a write-off of fixed assets having a net book value of approximately $9 million, which were determined to be obsolete as a result of the normal review of facilities and equipment. This evaluation is a continuing process; under normal operating circumstances, charges of this nature will occur from time to time, and in 1971 amounted to approximately $3 million. Also, as a result of a continuing review of its exploration activities, the Company in 1972 wrote off previously capitalized exploration and development expenditures incurred in areas where it is now considered that further development is unlikely in the near-term future. The amount written off in 1972 was $7 million, in comparison with $2 million in 1971. Except in areas currently under development where production is highly probable, it is the policy of the Company to write off exploration expense as incurred. The above write-offs were the major items in this category.

The Company's cost-reduction efforts are further reflected in a lower level of selling, general and administrative expenses, which amounted to $54.5 million in 1972, as compared with $63.5 million in 1971.

Other income increased by $3.6 million. The most important factor contributing to this increase was the sale to employees of Company-owned houses in the Sudbury area. This divestment program will continue, but its contribution to earnings in 1973 is expected to be less.

Capital expenditures in 1972 were $125.2 million, compared with $244.2 million in 1971, a reduction of $119 million. The lower level of expenditures reflected the continuing program to conserve cash outlays consistent with the modernization of the Company's production facilities and the completion of several major capital projects. In 1973, the Company expects capital expenditures to be about $150 million.

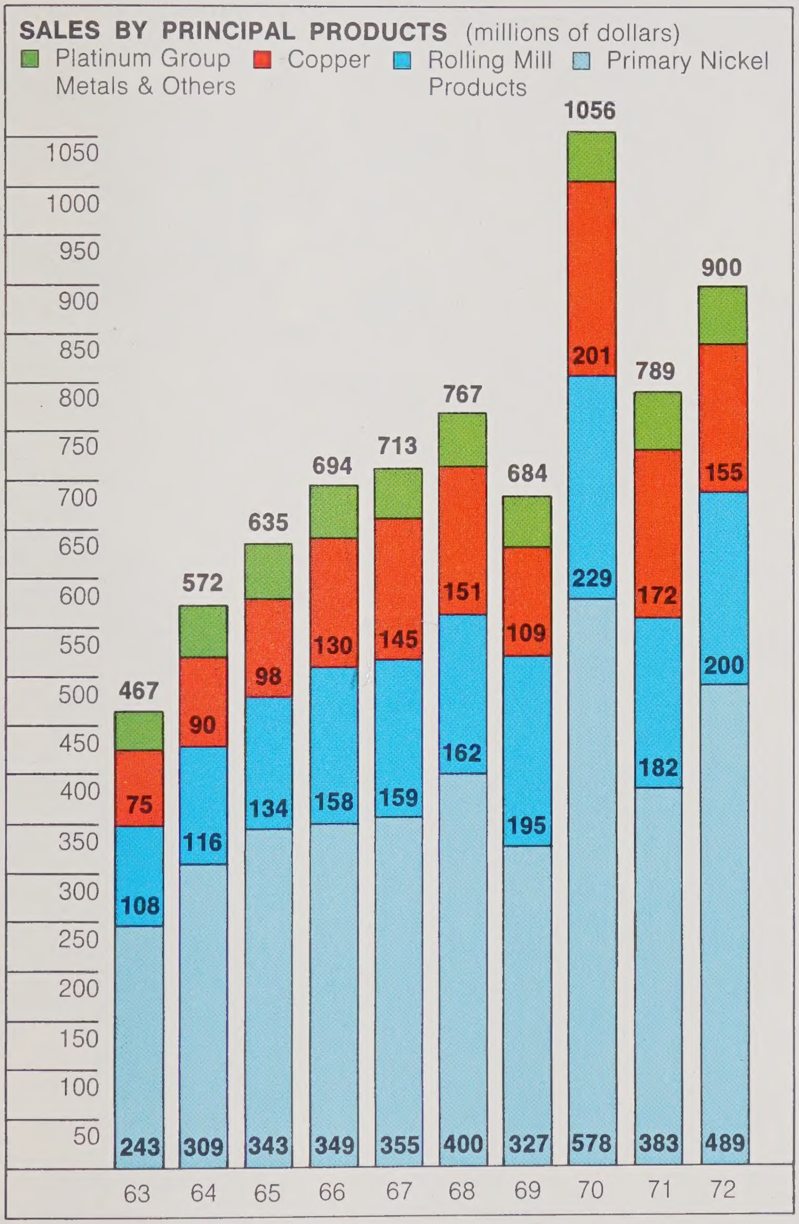
Dividends for the year were $1.00 a share, compared with $1.30 a share in the prior year. Dividends in 1972 represented 68 per cent of earnings, compared with 103 per cent in 1971.

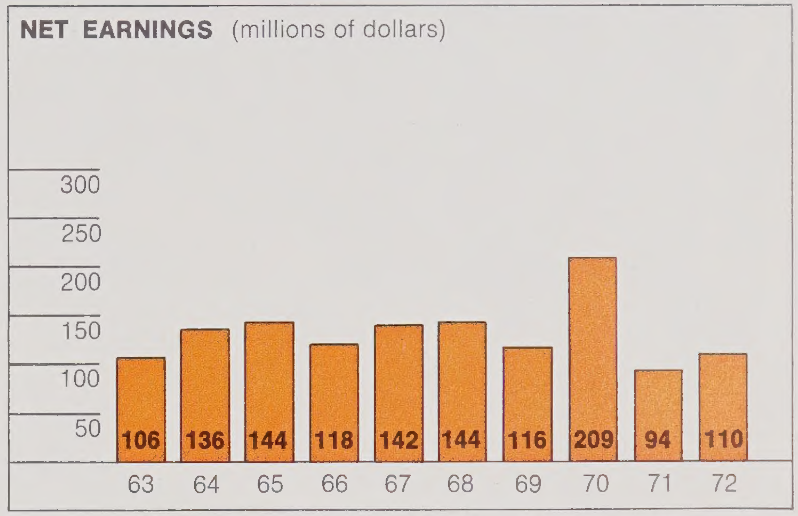
The direction of the Company's internal cash flow changed dramatically during the year as a result of the combined effect of increased earnings, reductions in capital expenditures and inventories, and the sale of miscellaneous securities and properties.

The Company reduced short-term borrowings by $46.2 million. Long-term debt was reduced by $20 million, from $453.9 million to $433.9 million.

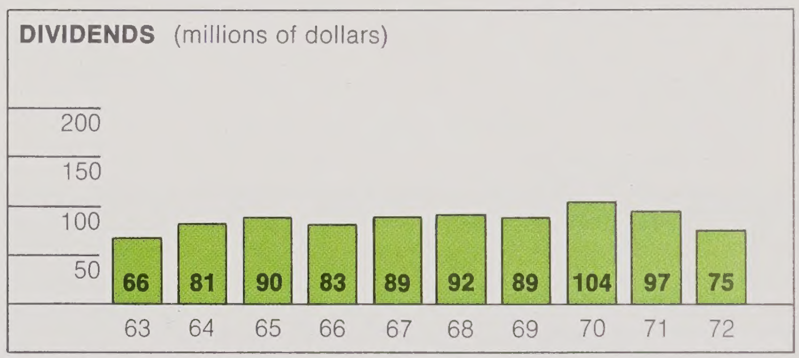
During the year, the Company acquired a 30 per cent interest in Shimura Kako Company, Ltd., a Japanese nickel refining company. Shimura Kako is a shareholder in Tokyo Nickel Company Ltd., also a Japanese nickel refiner, in which Inco has a 40 per cent interest.

The Financial Statements included in this Report would not have changed significantly if the effect of the devaluation of the United States dollar on February 12, 1973 had been recognized retroactively.

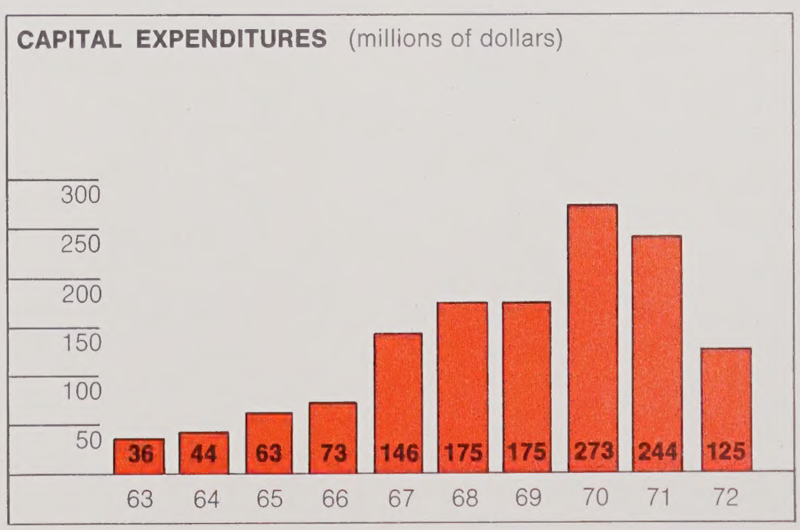




Per Share $1.44 1.84 1.94 1.59 1.90 1.93 1.56 2.80 1.26 1.47



Per Share $ .90 1.10 1.22 1.12 1.20 1.23 1.20 1.40 1.30 1.00



(Top) The Company's Indonesian nickel project moved nearer realization during the year with the signing of participation and sales agreements in Tokyo by Inco and six Japanese companies.

(Right) Canadian and United States security analysts toured the new nickel refinery and other facilities on a visit to the Sudbury District, during which they were addressed by the Company's President and other officers.

Marketing

Deliveries and Prices

The Company's metal deliveries in 1972, compared with 1971, are shown in the following table:

Deliveries of Metals *(in thousands)*	***1972***	***1971***
Nickel (pounds)	425,080	342,450
Copper (pounds)	308,180	340,300
Platinum-group metals† and gold (troy ounces)	452	437
Silver (troy ounces)	1,930	1,743
Cobalt (pounds)	2,210	1,980
Iron ore (long tons)	699	796

(†Platinum, palladium, rhodium, ruthenium and iridium)

Sales by Region

Inco's 1972 sales of all products (in thousands), by geographic area, follow:

United States	$389,865
Europe	292,652
Canada	132,873
Japan	38,016
Other Countries	46,917
	$900,323

Nickel

The increase in deliveries of nickel in all forms reflected stronger demand in all markets. Deliveries during the year included a substantial quantity of electrolytic nickel to the People's Republic of China, a new market for the Company's products.

As a result of increases posted by the Company for refined nickel products, the price of electrolytic nickel rose on September 4 from $1.33 to $1.53 a pound. On September 11, Inco's two grades of nickel oxide sinter, 75 and 90, were increased 10 cents and 12 cents to $1.37 and $1.40 a pound, respectively. Because of prior commitments to customers at the old prices, the September price increases had minimal impact in 1972.

Copper

Demand for the Company's copper (ORC* brand) was strong throughout the year. Deliveries of copper in 1972, reflecting lower production because of the cutback in nickel production, were reduced to 308.2 million pounds from 340.3 million pounds in 1971.

The Company sold its copper at essentially the same average price as in 1971, i.e., 50.2 cents a pound. More than half of the deliveries were made in Canada and virtually all of the balance in Europe.

Rolling Mill Products

Sales of products from the Company's two rolling mills, the Huntington Alloy Products Division in the United States and Henry Wiggin & Company Limited in the United Kingdom, amounted to $200 million, 22 per cent of Inco's total sales.

The rate of new order receipts for the Company's rolling mill products was stronger throughout the year in contrast to the persistent softness that prevailed in 1971. The backlog of open orders at year-end 1972 amounted to $78 million, compared to $61 million at year-end 1971.

The market for rolling mill products is expected to remain strong in 1973.

Nickel Marketing and Product Research

The salient marketing features of 1972 were a substantial improvement in deliveries of the Company's primary nickel products, increased competition, and the measures taken by the Company to meet it. This heightened competition reflects greater availability of nickel at varying prices from a number of large and small producers.

During the year, the Company reorganized its marketing and product research and development organizations to increase their effectiveness. New nickel products were introduced, and Inco moved forward on the development of others to broaden still further the forms of nickel it sells.

*Inco trademark

S* nickel rounds were introduced to the plating industry as an improved form of the well-accepted electrolytic sulphur-containing nickel, the preferred material in titanium-basket plating techniques. Customer acceptance of the new product has been strong.

A considerable amount of preliminary work was done during the year to introduce nickel pellets to the North American market in anticipation of their large-scale availability when the new Copper Cliff nickel refinery goes into operation in mid-1973. Pellets from the new refinery will offer North American customers a degree of controlled purity and handling advantages unavailable in any other form of nickel. Pellets, which have been produced at the Company's Clydach, Wales, nickel refinery for many years, are particularly advantageous in the production of high-temperature and specialty alloys, where extremely pure materials are essential.

Since the new refinery will also produce nickel powders, much attention has been given to research in the powder metallurgy field. During the year the Company, working with customers, introduced a 2 per cent nickel steel, utilizing nickel powder, for gears in appliances, engines and consumer products.

Two new nickel-magnesium additives for use in the production of ductile iron, INCOMAG* Alloy 3 and INCOMAG* Alloy 4, were also developed and put on the market late in the year.

The Company's research laboratories and pilot plants are currently working to develop other new primary nickel products. One of these is a product whose nickel content would be between that of highly refined nickel and nickel oxide sinter. It is expected that this product will be attractive to the steel and foundry industries.

Product research and development efforts were concentrated on increasing the use of nickel alloys in fast-growing markets, specifically those where the Company's nickel products are heavily consumed. These markets include:

The rapidly expanding industrial gas turbine field, where such Inco-developed high-nickel alloys as IN-738, IN-792 and IN-597 have been readily accepted.

The nuclear power field, where high-nickel alloys, utilizing the Company's high-purity electrolytic and pellet nickel, are being increasingly specified.

The marine field, where copper-nickel alloys are becoming standard materials.

The rapid transit field, where nickel-copper-columbium steels have been adopted for car underframes by four major United States builders.

The natural gas storage and transportation field, where cryogenic containers are an important market for a family of nickel steels.

Attention was also focused on the devices and systems being developed to meet United States automotive exhaust emission-control requirements for 1975-76. Nickel-containing alloys are contenders for high-temperature components of the catalytic-type emission-control systems for gasoline and diesel engines.

The Company's patented mechanical alloying process, announced in 1969, was brought to the commercial stages in 1972 by Inco's rolling mills.

*Inco trademark

(Left) The modernization program at the Company's European Research and Development Centre, Birmingham, England, included installation of this electron-probe microanalyser.

(Bottom) This shipment of Inco nickel, bound for the People's Republic of China, is part of a large order delivered in 1972.

(Top) INCOMAG* Alloy 3, a virtually smokeless additive for use in ductile iron production, and S* nickel rounds for electroplating are two of the new Inco nickel products introduced commercially during the year.

(Right) As part of its continuing marketing program for nickel end-users, the Company sponsored an international power conference in Kyoto in November 1972. It served as a forum for the exchange of information on selection trends, service performance and developments related to the application of nickel-containing materials in energy conversion systems.

*Inco trademark

Operations

Production

On January 28, 1972, the Company announced a 10 per cent cutback in production, which became fully effective in April. This was the final phase of a three-stage production cutback initiated in August 1971, and resulted in an over-all reduction in nickel production of about 20 per cent from the 500-million-pound level attained in 1970. Expressed in terms of production of nickel for refining or further processing, the reduction was approximately 16 per cent.

The large scale of the Company's operations permitted unusual flexibility in scheduling production in response to market conditions. Mining operations were concentrated in those areas of its mines that could be operated with maximum efficiency and economy and which contain higher grade ores with proportionately higher-than-average grades of copper and precious metals, products for which there is a ready market.

Mines

During 1972, the Company's Ontario and Manitoba Divisions mined a total of 19.2 million dry short tons of ore, compared with 27.6 million tons in 1971. The dry ore grade averaged 1.33 per cent nickel and 0.91 per cent copper, compared with 1.12 per cent nickel and 0.74 per cent copper in 1971.

At the present time, the Company has 14 mines in full or partial operation: 11 in Ontario and three in Manitoba. The newest of these is Shebandowan in northwestern Ontario (see pages 16 & 17), which came into production in 1972.

Four mines are being maintained on a standby basis: Totten, Crean Hill and Murray in Ontario, and Soab in Manitoba. Mining of ore from the Maclennan mine in the Sudbury District was completed in 1972.

The Company continued its program of mechanization in its mines. The first high-speed, bottom-dump train was put into operation on the 2,000-foot level at the Copper Cliff North mine, and similar systems are being installed at the Shebandowan and Thompson mines.

Surface Facilities

Improved performance at the Company's plants during the year reflected the results of Inco's process research and process technology activities in increasing metal recoveries and improving product quality, while minimizing process difficulties and eliminating unacceptable effluents.

At the end of 1972, the Company had six concentrators in operation, five in Ontario and one in Manitoba.

The new Shebandowan mill and concentrator went into production in July, and full mill capacity was reached in December. With the temporary suspension of operations at the Creighton mine's No. 3 shaft, concentrating operations at the Creighton mill were suspended.

At the Copper Cliff smelter, a program to fire all reverberatory furnaces with oil instead of coal was begun and is scheduled to be completed by late 1973. This changeover will reduce smelting costs without loss of furnace efficiency.

Operations at the Coniston smelter were suspended in April.

The new Copper Cliff nickel refinery was substantially completed by year-end, and the first commercial nickel products are expected to be

available about the middle of 1973. This highly automated facility will be the most efficient and technologically advanced nickel refinery in the industry. It will have an annual capacity of 100 million pounds of nickel pellets and 25 million pounds of nickel powders.

The residues from the nickel refinery, containing the bulk of the Company's platinum-group metals, as well as substantial quantities of copper, will be treated in a new electrowinning plant situated at the copper refinery. The plant, which was substantially completed and commissioned during the year, will increase the Company's copper-refining capacity by 30 million pounds a year. It will also recover cobalt carbonate and precious metals concentrates. The process involved is highly automated.

Also at the copper refinery, the vertical shaft furnace installed in 1971 was brought into full production. Installation and commissioning of equipment for continuously casting phosphor deoxidized copper billets were completed late in 1972.

At the Port Colborne, Ontario, nickel refinery, the new S* nickel rounds plant was commissioned in June and is operating at a monthly rate of 3.7 million pounds. The new foundry additives plant at Port Colborne went on stream in May.

Rolling Mills

The final major project in the Huntington Alloy Products Division's 10-year modernization and expansion program, the new rod, bar and wire mill, came into production in 1972. This installation gives the Division a high-volume hot-rolled production capability in coil and straight lengths of rod, bar and wire products with improved dimensional and metallurgical qualities.

At Henry Wiggin & Company Limited, capital expenditures were restricted to the provision of ancillary production items.

Environmental Control

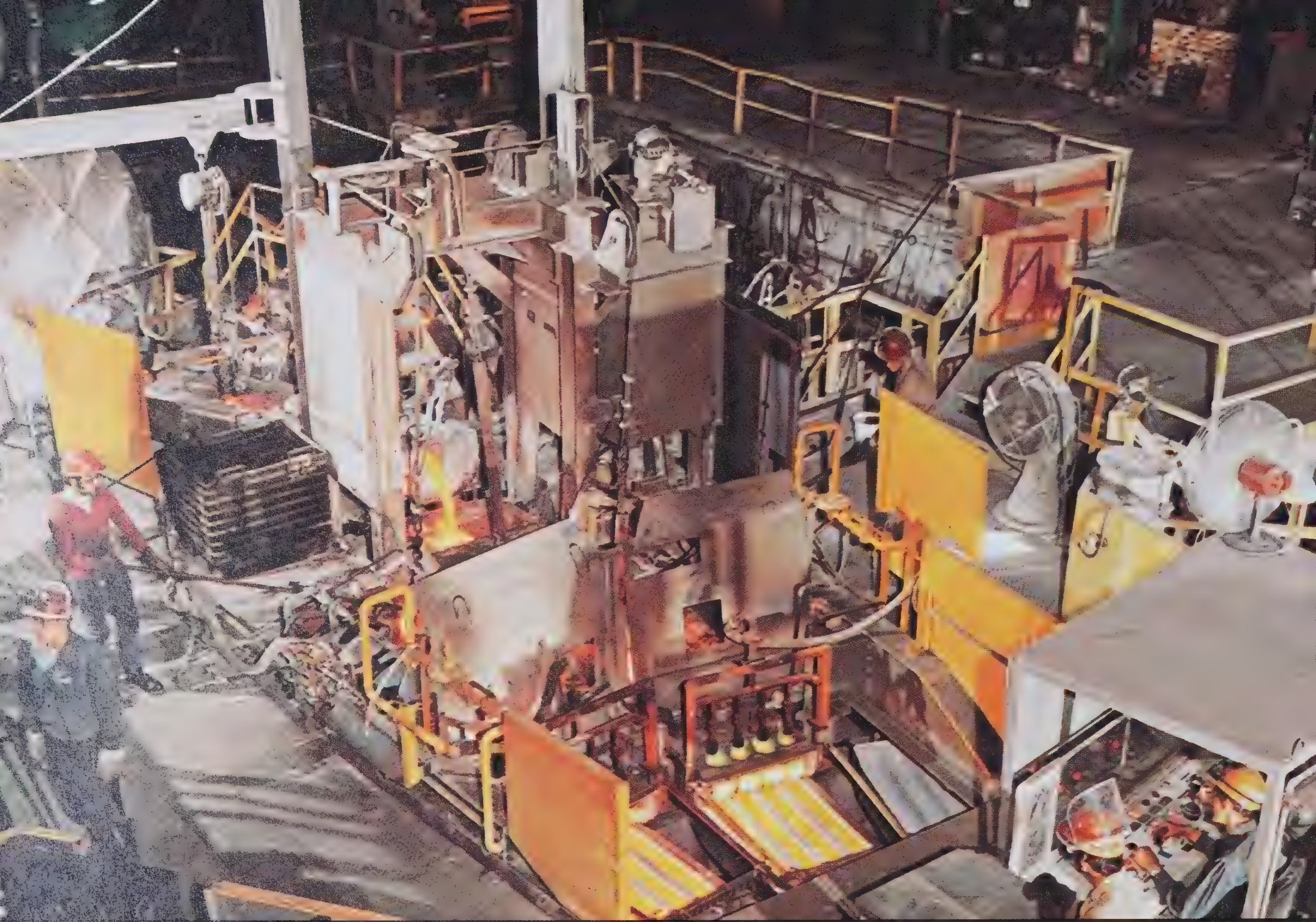
The highlight of the Company's activities during the year to improve environmental quality in the communities in which it operates was the commissioning at the Copper Cliff smelter of the new 1,250-foot chimney and its gas-cleaning system. Built at a cost of $26 million, the new facility serves the entire smelter. The increase in electrostatic precipitator capacity is designed to reduce by two-thirds the previous level of dust emissions, and will more than meet present government ambient quality standards. The facility permits emission of all of the cleaned smelter gases through a single stack under conditions consistent with proper dispersion. Air pollution indices at Sudbury have been well below those of other industrial urban centres in Ontario since the system became operational.

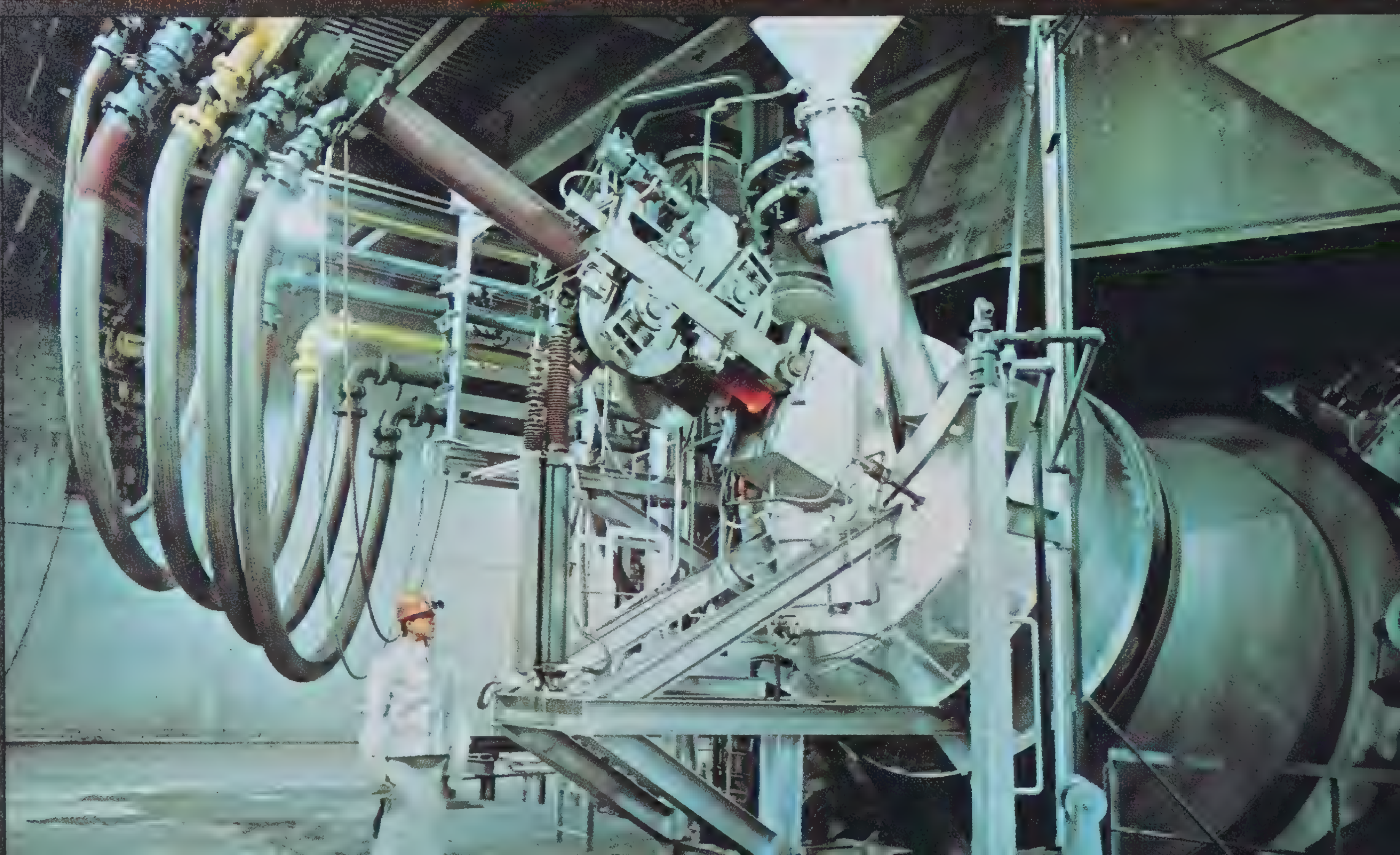
The Company continued its program of maximum recycling of the water used in its operations in the Sudbury District. Currently 85 per cent of the 150 million gallons required daily is recycled.

The Company has applied to the Ontario Ministry of the Environment for permission to extend the tailings impoundment area serving the Clarabelle, Frood-Stobie and Creighton mills. The new system, which is expected to meet the Company's needs in this area for 25 years, incorporates all reasonable safeguards to prevent damage to the environment.

*Inco trademark

A major project in Inco's environmental control program, the 1,250-foot chimney and associated gas-cleaning system at the Copper Cliff smelter went into operation in the summer. A helicopter was employed to cap the three obsolete stacks, as shown in inset.





(Top) This new vertical shaft furnace, which was brought into full operation during the year at Inco's copper refinery, has over three times the melting rate of the electric furnaces it replaced. (Right) Another example of the utilization of advanced technology to maximize efficiency is this top-blown rotary converter, with a 50-ton capacity, which will be used commercially for the first time in non-ferrous smelting at the Copper Cliff nickel refinery.

Exploration

Inco spent $18.7 million on exploration in 1972, compared with $32.9 million in 1971. The reduction was for the most part in programs which could be curtailed or stretched-out with minimum long-term effect. Although the principal exploration targets continued to be nickel, copper and platinum-group metals, exploration for other metals and minerals received increasing attention.

Field exploration activities in Canada were conducted mainly in Quebec, Ontario and Manitoba. In addition, programs were carried out in Africa, Australia, Brazil, Guatemala, Indonesia, Mexico, New Caledonia, Papua New Guinea and the United States.

Exploration work in the vicinity of the Company's mines continued to reveal new tonnages of ore. The amount of metal in the ore was also more firmly defined in those areas outside of Canada where the Company is investigating nickel laterites.

Exploration expenditures included the costs of joint exploration projects with partners in various parts of the world. In addition, Inco participated as a 4.5 per cent shareholder in Panarctic Oils Ltd., which is engaged in oil and gas exploration in the Canadian Central Arctic.

Ore Reserves

On December 31, 1972, the Company had proven ore reserves in Canada of 388.6 million dry short tons, containing 12,700 million pounds of nickel and 8,000 million pounds of copper. Corresponding reserves on December 31, 1971 were 387 million dry short tons, containing 12,600 million pounds of nickel and 8,000 million pounds of copper.

In accordance with its standard practice, the Company reports as proven ore reserves only blocks of ore that have been defined by drilling and sampling in sufficient detail to permit calculation of the number of tons of ore and its nickel and copper content. The Company does not include in its proven ore reserves large tonnages of proven low-grade mineralization that contribute to each year's metal production, but qualify as ore only at the time they are mined.

The Company also has very large tonnages of proven metal contained in deposits, principally lateritic, which it is working to develop outside Canada.

Potential Production Outside Canada

P.T. International Nickel Indonesia plans to establish lateritic mining and processing facilities, with an annual capacity of about 30 million pounds of nickel, on the island of Sulawesi. The project was advanced during the year by agreements with six Japanese companies providing for their equity participation in Inco Indonesia and for the sale of the project output over a 15-year period. The capital cost of the initial facilities is estimated at $135 million, of which $90 million is expected to be obtained from credit facilities being established by Inco Indonesia in Canada, the United States, Japan and Australia. The balance of the funds required will be provided by the shareholders of Inco Indonesia. Under the Contract of Work with the Government of the Republic of Indonesia, 20 per cent of the shares of Inco Indonesia will be offered to Indonesians. When the shares so offered are fully taken up, Inco's equity in Inco Indonesia will be 60 per cent, and that of the Japanese participants 20 per cent.

During the year, Exploraciones y Explotaciones Mineras Izabal, S. A. (Exmibal), the Company's Guatemalan subsidiary, established a program for the multi-phase development of its lateritic nickel

Inco's decision to construct a mining and milling complex on Lower Shebandowan Lake, near Thunder Bay, in northwestern Ontario presented unusual environmental protection problems, for the orebody is located in a picturesque camping and fishing area. In line with its policy of building environmental safeguards into every new facility, the Company painstakingly designed the installations to operate in harmony with the environment, not only from the standpoint of ecology but also of esthetics.

As the orebody lies beneath the lake, the mine headframe had to be situated close to the shore. When construction has been completed, the area will be landscaped.

To limit noise and surface activity, ore is conveyed underground to the mill. Some of the rock waste is returned to fill mined-out areas.

To conserve water, the mill uses only recycled water. And to protect the environment, mine waste water is clarified underground before it is pumped to the surface.

The mill and the tailings disposal area (see artist's rendering) are located out of sight and sound of people using the lake for recreation. In the future, when it is filled with rock waste, the tailings area will be planted and grass and crops will be grown by a method developed by the Company's agriculturists in the Sudbury District.

Summer residents attended an "open house" in August (middle photo) to see for themselves the unusual and extensive steps taken by Inco to ensure that the Shebandowan project, which came into full production late in 1972, will remain pollution-free and unobtrusive.


LOWER SHEBANDOWAN LAKE
NO. 2 SHAFT HEADFRAME
MILL
BURIED TAILINGS LINE
TAILINGS DISPOSAL AREA
PUMP HOUSE
BURIED RETURN WATER LINE


LEGEND
RESORT
TENTING
GUIDES
HOTEL
HOUSEKEEPING COTTAGES
AMERICAN PLAN
BOATS
FISHING
HUNTING
MEALS
AIRCRAFT
BATHING
SKI TOW
OUTFITTERS
MOTEL
MODERN CABINS
SHEBANDOWAN ROAD
RUDOLPH'S CAMPS
SHEBANDOWAN HOTEL

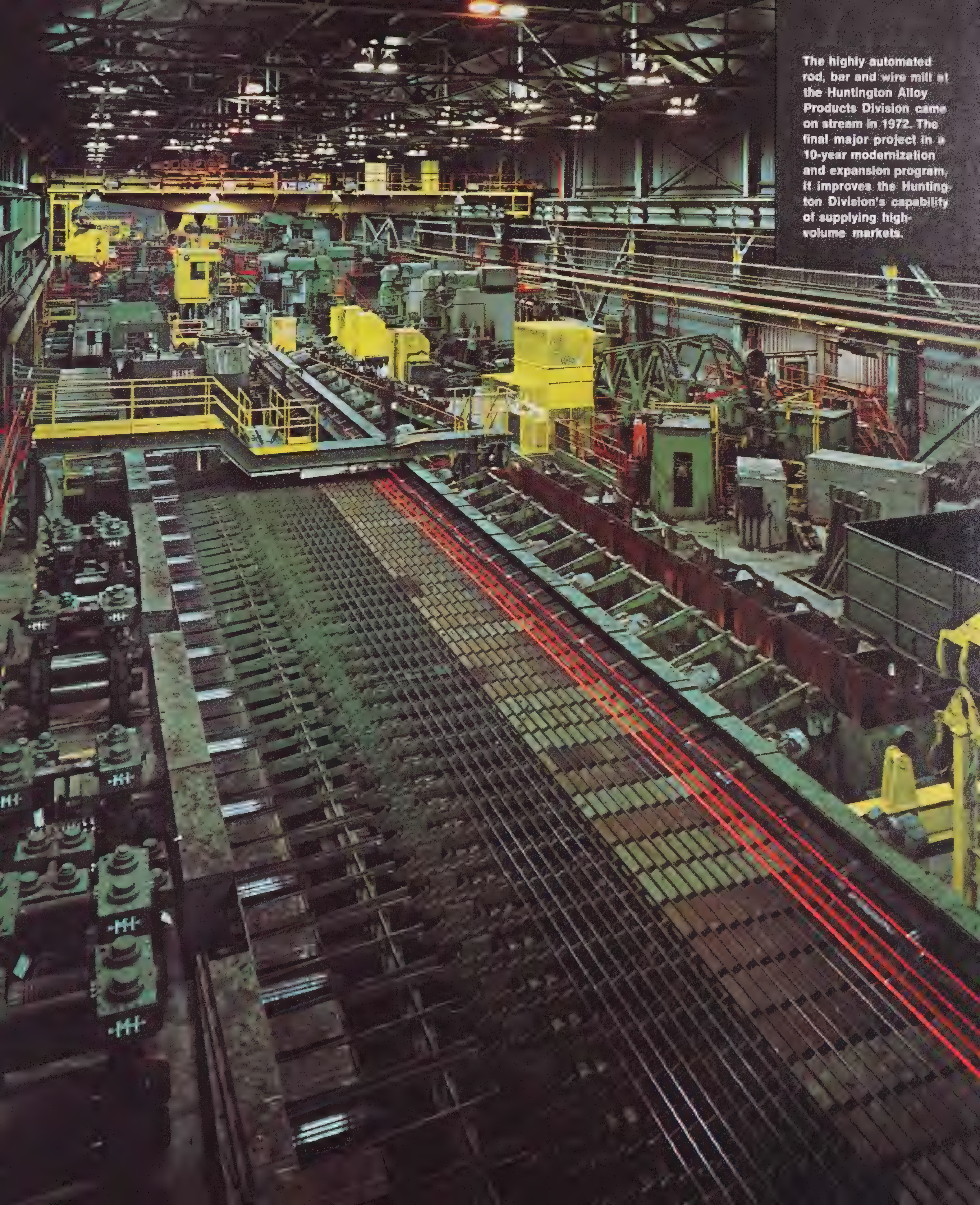
project in the vicinity of Lake Izabal. The first phase would have an annual capacity of about 25 million pounds of nickel. The funds from all sources required to complete the first phase of the project are estimated to be $90 million. At year-end, negotiations with the Guatemalan Government to adjust earlier agreements to the revised program and arrangements to finance and proceed with construction of the first-phase facilities were well advanced. It is anticipated that 37 per cent of the stock of Exmibal will be offered for acquisition by the Government and the financing agencies. The balance of the shares will be held 80 per cent by Inco and 20 per cent by The Hanna Mining Company.

After it became apparent in 1971 that the Cofimpac project (which grouped Inco and a consortium of French partners) could not be realized, the Company continued to negotiate with the French Government on an Inco project for the phased development of lateritic ores in the French Territory of New Caledonia. Present discussions centre on a proposal made in February 1973 to the French Government, at its request, providing for the annual production, in an initial phase, of 45 million pounds of nickel and 3 million pounds of cobalt. The project would represent a forward investment of $275 million, and it is envisaged that other important industrial organizations will participate in the project.

The Company's Australian subsidiary, International Nickel Australia Limited, together with The Broken Hill Proprietary Company Limited (BHP), continued to evaluate a lateritic deposit near Rockhampton, Queensland. Inco and BHP are also reviewing the development potential of a sulphide deposit near Widgiemooltha, Western Australia.

In the United States, The International Nickel Company, Inc. continues to maintain its interest in the long-range development of the low-grade copper-nickel sulphide deposits in the vicinity of Ely, Minnesota.

The Company continued its program to investigate the feasibility of recovering nickel-containing nodules from the ocean floor. Most of the work focused on the engineering problems. Last summer, Inco was represented in a consortium which conducted tests in the Pacific Ocean using a continuous-line bucket system for harvesting the nodules.



The highly automated rod, bar and wire mill at the Huntington Alloy Products Division came on stream in 1972. The final major project in a 10-year modernization and expansion program, it improves the Huntington Division's capability of supplying high-volume markets.

Corporate Organization

Changes

During the year, significant changes were made in the Company's organizational structure to provide more clearly defined centres of responsibility and accountability; to increase decision making by divisional cost and profit centres; and to provide developmental opportunities for management at all levels.

Officers

Henry S. Wingate having retired as Chairman and Chief Officer, the Board of Directors, at its annual organization meeting on April 19, implemented its previously announced plans by electing L. Edward Grubb, President and Chief Officer; Albert P. Gagnebin, Chairman of the Board of Directors and Chairman of the Executive Committee; and James C. Parlee, Vice-Chairman.

At the same time, the Board also elected the following officers:

J. Edwin Carter as Executive Vice-President.

Dr. William Steven as Senior Vice-President. He has responsibility for the Company's technical affairs and resource development.

Shane MacKay as Vice-President. He is responsible for the Company's public affairs programs.

Dr. Charles E. O'Neill as Vice-President. He is in charge of the Company's process research and process technology activities.

Ronald R. Taylor as Vice-President. On February 5, 1973, the Board elected him President of the Ontario Division, effective March 1.

Harold R. Hiser, Jr. as Treasurer.

Three new division Presidents were elected on April 24:

John McCreedy, President of the Ontario Division. On February 5, 1973, the Board elected him, effective March 1, Senior Vice-President in charge of production operations for the Company.

Donald E. Munn, President of the Manitoba Division.

Kenneth H. J. Clarke, President of the Canadian Marketing Division.

Also on April 24, Kenneth A. DeLonge, a Vice-President, was elected to the additional office of President and Chief Officer of The International Nickel Company, Inc. John H. Page, Assistant to the President, was elected to the additional office of Executive Vice-President of that company.

Frank C. Burnet was elected a Vice-President on July 20. He has corporate responsibility for employee relations.

Charles F. Baird was elected Senior Vice-President on September 1. He continues as the Company's chief financial officer and has assumed additional corporate administrative duties.

John H. Reevy was elected Vice-President on October 1. He is responsible for various corporate administrative matters.

Donald J. Phillips was named Chairman and Managing Director of the Company's United Kingdom subsidiary, International Nickel Limited, on September 11.

Anthony T. Shadforth was named Chairman and Chief Officer of Henry Wiggin & Company Limited, effective October 1.

Directors

On December 4, Norris R. Crump, C.C., retired as a Director after 13 years of service on the Board. He continues to serve on the Advisory Committee.

Sir Ronald L. Prain, O.B.E., retired, effective December 31, after 21 years of service as a member of the Board of Directors.

J. Roy Gordon, who served as President of the Company from 1960 to 1967, retired from the Board on February 5, 1973, after 19 years of service as a Director. Mr. Gordon remains a member of the Advisory Committee.

On February 5, 1973, Robert W. Bonner, Q.C., President and Chief Executive Officer of MacMillan Bloedel Limited, Vancouver, B.C.; J. Edwin Carter, Executive Vice-President of Inco; and Donald G. Willmot, President of Molson Industries Limited, Toronto, were elected to the Board of Directors.

Lance H. Cooper, M.B.E., who retired as a member of the Advisory Committee in January 1972, died on December 12. Mr. Cooper, who was associated with the Company for 46 years, retired as Chairman of International Nickel Limited and Henry Wiggin & Company Limited in 1959. He served as a Director of Inco from 1958 to 1961.

George C. Sharp, a Director of the Company from 1950 until his retirement in 1971, died on December 31. At the time of his death, he was a member of the Advisory Committee.

Employees

As of December 31, the Company's total number of employees was 32,082, a reduction of 4,007, or 11 per cent, from the end of 1971. The reduction, most of which was accomplished through attrition, reflected the production cutbacks which were initiated in 1971 and continued in 1972, as well as organizational realignment.

The reduction in the number of employees from its peak in mid-1971 is approximately 16 per cent among both hourly and staff. In addition, approximately 2,100 mine development contractors' employees were released, and nearly all of their jobs were assumed by Company employees.

At year-end, there were 22,866 Inco employees in Canada, 4,514 in the United Kingdom, 3,637 in the United States and 1,065 elsewhere.

Retired employees and widows of former employees receiving Company pensions now number almost 3,800. The value of the pensions of these former employees and their dependents has been eroded by inflation, particularly for those who retired some years ago. In recognition of this, pension amounts were increased effective January 1, 1973 for all pensioners except those most recently retired. Similar adjustments to compensate in part for inflation have been made from time to time in the past.

In midyear, a new collective agreement was negotiated with the United Steelworkers of America covering the hourly rated employees of the Ontario Division in the Sudbury District and at Port Colborne. The settlement provided wage and benefit increases over a three-year period to July 10, 1975. Extensive changes were also negotiated in grievance machinery, seniority and related areas, which are expected to contribute to the Company's continuing effort to improve its labor relations. The agreement was reached a week before the expiry of the former agreement and without recourse to conciliation proceedings.

Agreements were also negotiated during the year with four unions representing hourly rated employees at Clydach. These agreements continue until March 1974.

At the end of the year, negotiations were under way with the unions representing production and maintenance employees in the Manitoba Division, at Henry Wiggin & Company Limited, and at the Huntington Alloy Products Division. On January 13, 1973, following expiration of the collective agreement at Huntington, a strike of hourly employees represented by the United Steelworkers of America began. The strike was continuing at the date of printing of the Annual Report.

Shareholders

At year-end, the Company had 92,024 shareholders of record, compared with 92,217 on December 31, 1971. According to the Company's record of shareholders, 65 per cent have addresses in Canada, 33 per cent in the United States, and 2 per cent elsewhere. Canadian residents of record held 49 per cent of the shares outstanding, United States residents of record held 35 per cent, and residents of record in other countries held 16 per cent.

Consolidated Statement of Earnings and Retained Earnings

The International Nickel Company of Canada, Limited and subsidiaries

Year ended December 31	1972	1971
	(In Thousands)	
Net sales	**$ 900,323**	$ 789,229
Costs and expenses		
Costs	**595,359**	526,325
Selling, general and administrative expenses (Note 2)	**54,515**	63,501
	649,874	589,826
Operating earnings before items shown below	**250,449**	199,403
Other income (Note 3)	**14,220**	10,639
	264,669	210,042
Other expenses		
Depreciation and depletion (Note 4)	**56,289**	50,559
Interest expense (Notes 5 and 6)	**43,787**	33,903
Retirement system and pension plans (Note 7)	**12,389**	8,203
Income taxes (Note 8)	**42,298**	23,135
	154,763	115,800
Net earnings	**109,906**	94,242
Retained earnings at beginning of year	**894,969**	897,589
	1,004,875	991,831
Dividends paid ($1.00 per share in 1972; $1.30 per share in 1971)	**74,525**	96,862
Retained earnings at end of year	**$ 930,350**	$ 894,969
Earnings per share based on weighted average number of shares	**$1.47**	$1.26

The explanatory financial section on pages 25 through 28 is an integral part of these statements.

Auditors' Report

To the Shareholders of The International Nickel Company of Canada, Limited:

We have examined the financial statements appearing on pages 22 through 28 of this report. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of The International Nickel Company of Canada, Limited and subsidiaries at December 31, 1972 and 1971 and the results of their operations and changes in financial position for the years then ended in conformity with generally accepted accounting principles consistently applied.

February 15, 1973

PRICE WATERHOUSE & CO.

Consolidated Balance Sheet

The International Nickel Company of Canada, Limited and subsidiaries

December 31	1972	1971
	(In Thousands)	
Current assets		
Cash	$ 19,012	$ 23,332
Marketable securities (Note 9)	30,486	77,994
Accounts receivable, less allowance for doubtful accounts	163,888	131,413
Inventories (Note 10)	436,025	465,448
Prepaid expenses	3,691	2,997
Total current assets	653,102	701,184
Other assets		
Miscellaneous securities (Note 9)	17,253	32,055
Charges to future operations	5,731	9,593
	22,984	41,648
Property plant and equipment (Note 4)	2,026,497	1,929,852
Less—Accumulated depreciation and depletion (Note 4)	624,279	577,931
	1,402,218	1,351,921
Total assets	$2,078,304	$2,094,753
Current liabilities		
Accounts payable and accrued expenses	$ 137,921	$ 158,092
Long-term debt due within one year (Note 5)	13,111	13,111
Notes payable and other obligations (Note 6)	60,510	106,738
Income taxes payable	45,909	35,976
Total current liabilities	257,451	313,917
Other liabilities		
Long-term debt (Note 5)	433,871	453,899
Deferred income taxes	257,700	238,400
Pension plans (Note 7)	14,417	11,682
Insurance, operating purposes and exchange (Note 11)	27,768	25,437
	733,756	729,418
Shareholders' equity		
Common shares (Note 12) Authorized 90,000,000 shares without nominal or par value, issued 74,534,635 shares (1971—74,522,663 shares)	95,711	95,413
Capital surplus (Note 13)	61,036	61,036
Retained earnings	930,350	894,969
	1,087,097	1,051,418
Total liabilities and shareholders' equity	$2,078,304	$2,094,753

The explanatory financial section on pages 25 through 28 is an integral part of these statements.

Approved by the Board of Directors:

Albert P. Gagnebin L. Edward Grubb

Consolidated Statement of Changes in Financial Position

The International Nickel Company of Canada, Limited and subsidiaries

Year ended December 31	1972	1971
	(In Thousands)	
Financial resources were provided by:		
Earnings from operations	**$ 109,906**	$ 94,242
Add income charges not affecting working capital in the period:		
Depreciation and depletion	**56,289**	50,559
Deferred income taxes	**19,300**	36,400
Write-off of obsolete facilities, equipment and capitalized exploration	**15,555**	4,273
Retirement system and pension plans	**12,389**	8,203
Provisions for insurance and operating purposes	**2,248**	2,214
Other items (net)	**5,016**	2,434
Working capital provided by operations for the period	**220,703**	198,325
Proceeds from issuance of long-term debt	**—**	167,239
Sale of miscellaneous securities	**17,575**	2,026
Other items (net)	**51**	3,090
Total	**238,329**	370,680
Financial resources were used for:		
Additions of property, plant and equipment	**125,162**	244,234
Dividends paid to shareholders	**74,525**	96,862
Repayment of long-term debt	**20,028**	—
Payments of pension benefits and contributions to Trustees	**9,581**	9,045
Charges to liability for operating purposes	**649**	9,103
Total	**229,945**	359,244
Increase in working capital	**$ 8,384**	$ 11,436

Analysis of Changes in Working Capital

	1972	1971
Increase (decrease) in current assets		
Cash	**$(4,320)**	$ 2,799
Marketable securities	**(47,508)**	(69,638)
Accounts receivable	**32,475**	(30,266)
Inventories	**(29,423)**	179,026
Prepaid expenses	**694**	(792)
Total	**(48,082)**	81,129
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	**(20,171)**	3,350
Long-term debt due within one year	**—**	13,111
Notes payable and other obligations	**(46,228)**	106,738
Income taxes payable	**9,933**	(53,506)
Total	**(56,466)**	69,693
Increase in working capital	**$ 8,384**	$ 11,436

The explanatory financial section on pages 25 through 28 is an integral part of these statements.

Note 1 - Summary of significant accounting policies

This summary of the major accounting policies of The International Nickel Company of Canada, Limited and subsidiary companies is presented to assist the reader in evaluating the financial statements contained in this Report. These policies have been followed consistently in all material respects for the periods covered in this Annual Report.

The financial statements consolidate the accounts of the Company and its subsidiaries and are prepared in conformity with generally accepted accounting principles as established in Canada which, in the Company's case, conform with those established in the United States.

The statements are expressed in United States currency. Current assets, current liabilities and the liability for pension plans in the Consolidated Balance Sheet are translated at year-end rates of exchange. The translation of all other assets and liabilities generally recognizes the rates historically applicable. Income, costs and expenses are translated at average rates prevailing during each period; depreciation and depletion are translated at historical rates. Exchange adjustments resulting from the translation of items from currencies other than United States currency are applied to the accumulated liability for exchange.

Inventories are valued at the lower of cost or net realizable value; cost for metals is average production or purchase cost, and for supplies is average purchase cost. Inventory quantities are adjusted from time to time to physical stock-takings.

Substantially all property, plant and equipment is stated at cost. Such cost in the case of the Company's mines—virtually all of which were discovered and developed by the Company—represents, with relatively minor exceptions, only that part of related development and acquisition costs which was capitalized.

The established policy relative to depreciation and depletion is to provide amounts systematically, on a straight line basis, which, in the judgment of the management, will result in accumulated provisions adequate to offset, at the expiration of the estimated economic lives of the properties, the recorded cost of the investment in properties, plant and equipment. This policy is supported by studies made periodically of the lives of such properties. Depletion is based on recorded cost established as explained above, and represents neither the "in place" value of the ore consumed during the year nor the amount by which the value of the Company's ore reserves would have decreased through operations if new ore reserves had not been proven up to replace them.

Except in areas currently under development where production is highly probable, exploration expenditures are expensed as incurred.

Research and development expenditures, except for land, buildings and standard items of equipment, the usefulness of which extend beyond the immediate life of a project, are expensed as incurred.

The Company and its subsidiaries have several pension plans covering substantially all their employees. Costs are provided for based on actuarial estimates and provisions have been made for all significant past service costs. The amount of unfunded pension benefits is reflected as a liability of the Company in the Consolidated Balance Sheet.

As a result of tax regulations, certain timing differences exist in the reporting of deductions for book and tax purposes, primarily depreciation. Income taxes in the Consolidated Statement of Earnings and Retained Earnings include deferred taxes. The cumulative tax effect of timing differences relating to items of a non-current nature is shown separately as deferred income taxes in the Consolidated Balance Sheet. The cumulative tax effect of timing differences relating to items of a current nature is included in the current liability for income taxes payable. The provisions for United States taxes reflect the "flow-through" method of accounting for the investment credit. The amounts of credit were not material.

The Company has not provided for certain taxes that might become payable if undistributed earnings of subsidiaries were to be paid as dividends because only a minor portion of such earnings has not been or will not be reinvested.

The calculation of earnings per common share is based on the weighted average common shares outstanding. The common stock equivalents of outstanding stock options do not dilute earnings per common share.

Note 2 - Remuneration of directors and officers

Selling, general and administrative expenses include remuneration of directors and officers (including past officers) as follows:

	1972	1971
	(In Thousands)	
Number of directors: 26 in 1972, 27 in 1971		
Aggregate remuneration—as directors, paid by:		
The International Nickel Company of Canada, Limited	$ 206	$ 242
The International Nickel Company, Inc.	12	20
Total	$ 218	$ 262
Number of officers: 35 in 1972, 28 in 1971		
Aggregate remuneration—as officers, paid by:		
The International Nickel Company of Canada, Limited	$2,149	$1,761
The International Nickel Company, Inc.	529	887
Other subsidiary companies	97	36
Total	$2,775	$2,684
Number of directors who are also present officers: 4 in 1972, 4 in 1971		

Note 3 - Other Income

Other income includes net gain on disposal of assets, including the sale of houses in the Ontario Division, interest, dividends and income from joint venture operations of the Company.

Note 4 - Property, plant and equipment

Changes in these accounts during the year 1972 are summarized as follows:

	Balance at beginning of year	Additions	Retirements	Balance at end of year
		(In Thousands)		
Mines and mining plants	$ 780,852	$ 40,672	$ 1,620	$ 819,904
Smelters	567,524	31,335	4,722	594,137
Refineries	249,290	34,941	583	283,648
Rolling mills	230,147	3,753	709	233,191
Other	102,039	14,461	20,883	95,617
	1,929,852	$125,162	$28,517	2,026,497
Less—Depreciation and depletion	577,931	$ 56,289	$ 9,941	624,279
	$1,351,921			$1,402,218

The total provision for depreciation and depletion for 1972 of $56,289,000 includes depreciation of $46,841,000 and depletion of $9,448,000. The 1971 provision of $50,559,000 includes depreciation of $40,653,000 and depletion of $9,906,000. At the end of 1972, the accumulated provisions were $484,083,000 for depreciation and $140,196,000 for depletion.

Note 5 - Long-term debt

Outstanding long-term debt of the Company and its consolidated subsidiaries consists of the following:

	December 31, 1972	December 31, 1971
	(In Thousands)	
Debentures, 6.85% due 1993	$150,000	$150,000
Debentures, 9.25% due 1990	73,643	73,643
Debentures, 7.50% due 1978	73,275	73,275
Debentures, 8.625% due 1991	73,275	73,275
Bank loan, 6% (5½% in 1971)	45,889	59,000
Other loans at rates between 6.75% and 9.25%, due 1975-1985 (6.25%-9.25% in 1971)	30,900	37,817
	446,982	467,010
Less—Long-term debt due within one year	13,111	13,111
	$433,871	$453,899

The 6.85% debentures outstanding were sold at par in March 1968. Sinking fund payments calculated to retire 76% of the issue prior to maturity are required in annual installments of $6,000,000 in 1979 through 1983, $8,000,000 in 1984 through 1988 and $11,000,000 in 1989 through 1992. Additional payments into the sinking fund, not exceeding in any year that amount required as above, may be made at the option of the Company. Debentures retired through the operations of the sinking fund are callable at par. The Company has the option to make further retirements at redemption prices ranging progressively downward from 105.45% currently to 100% in 1990.

The 9.25% debentures outstanding were sold at par in October 1970. Sinking fund payments will be made, sufficient to retire on October 1 in each of the years 1976 to 1989 inclusive, $2,000,000 (Can.) principal amount of debentures. In addition to the mandatory sinking fund payments, the Company will have the right to make optional sinking fund payments to the Trustee, sufficient to retire up to an additional $1,000,000 (Can.) principal amount of debentures on October 1, 1976; up to $2,000,000 (Can.) on October 1 in each of the years 1977 to 1981 inclusive; up to $3,000,000 (Can.) on October 1 in each of the years 1982 to 1986 inclusive; and up to $4,000,000 (Can.) on October 1 in each of the years 1987 to 1989 inclusive. Debentures retired through the operations of the sinking fund are callable at par. The Company has the option to make further retirements at redemption prices ranging progressively downward from 108.15% currently to 100% in 1988.

The 7.50% and 8.625% debentures outstanding were sold at par in June 1971. The 7.50% deben-

tures are not subject to sinking fund requirements nor are they redeemable prior to maturity. Sinking fund payments for the 8.625% debentures will be made sufficient to retire on June 30, in each of the years 1977 to 1990 inclusive, $2,000,000 (Can.) principal amount of debentures. In addition to the mandatory sinking fund payments, the Company will have the right to make optional sinking fund payments to the Trustee, sufficient to retire up to an additional $2,000,000 (Can.) principal amount of debentures on June 30 in each of the years 1977 to 1982 inclusive and up to $4,000,000 (Can.) on June 30 in each of the years 1983 to 1990 inclusive. Debentures retired through the operations of the sinking fund are callable at par. The Company has the option to make further retirements at redemption prices ranging progressively downward from 108% currently to 100% in 1989.

At December 31, 1972 a subsidiary of the Company was indebted to banks for $45,889,000 in term notes payable. Such notes are due in installments of $6,555,500 semi-annually from June 30, 1972, with interest at ¼ of 1% per annum above the prime rate in effect from time to time through June 30, 1975 and thereafter until final maturity at ½ of 1% above the prime rate.

Interest expense on long-term debt was $35,-341,000 in 1972 and $29,294,000 in 1971.

Note 6 - Notes payable and other obligations

At December 31, 1972, the Company had $60,510,-000 outstanding in notes payable and other obligations, consisting of $33,350,000 (Can.) and £11,-510,000. At December 31, 1971 the Company had $106,738,000 outstanding, consisting of $79,950,-000 (Can.) and £10,528,000.

Note 7 - Retirement system and pension plans

Transactions during the two years are summarized as follows:

	1972	1971
	(In Thousands)	
Balance at beginning of year	$11,682	$12,343
Add:		
Provisions from earnings (actuarially computed)	12,389	8,203
Currency exchange adjustments	(73)	181
	12,316	8,384
Deduct:		
Contributions paid to Trustees	8,499	8,032
Benefits paid directly by the Company	1,082	1,013
	9,581	9,045
Balance at end of year	$14,417	$11,682

Note 8 - Income taxes

The provisions for income taxes during the two years were as follows:

	1972	1971
	(In Thousands)	
Future deferred	$19,300	$36,400
Current deferred	10,500	(3,800)
Total deferred tax	29,800	32,600
Current tax	12,498	(2,765)
	42,298	29,835
Non-recurring tax adjustment	—	(6,700)
	$42,298	$23,135
Canada	$33,571	$18,272
Other (principally United Kingdom and United States)	8,727	4,863
	$42,298	$23,135

The higher provision for taxes in 1972 is attributable mainly to the increase in earnings. The provision also reflects tax exemption on income from new mines that were in commercial production during 1972 and the temporary tax reduction enacted in Canada. New mines tax exemption is awaiting approval of the Department of National Revenue.

The cumulative tax effect of timing differences relating to items of a non-current nature is shown separately as deferred income taxes of $257,700,-000 in the Consolidated Balance Sheet. The cumulative tax effect of timing differences relating to items of a current nature of $18,500,000 is included in the current liability for income taxes payable.

Note 9 - Securities

Marketable and miscellaneous securities are carried at cost. Market values, in the aggregate, approximated cost at the end of each year.

Note 10 - Inventories

Inventories at December 31, were composed of:

	1972	1971
	(In Thousands)	
Metals, finished and in-process	$382,797	$397,981
Supplies	53,228	67,467
	$436,025	$465,448

Note 11 - Liabilities for insurance, operating purposes and exchange

Changes in these liabilities during the two years were as follows:

	1972	1971
	(In Thousands)	
Balance at beginning of year	$25,437	$29,595
Add:		
Currency exchange adjustments (net)	732	2,731
Provision for self-insurance	1,000	1,000
Provision for operating purposes	1,248	1,214
	2,980	4,945
Deduct:		
Charges for operating purposes	649	9,103
Balance at end of year	$27,768	$25,437
The year-end balances are:		
Exchange	$ 3,463	$ 2,731
Insurance	19,000	18,000
Operating purposes	5,305	4,706
	$27,768	$25,437

Note 12 - Stock option plans

The Key Employees Stock Option Plan, ratified by shareholders at the Annual Meeting on April 24, 1957, authorized the granting of options on 1,750,-000 unissued common shares at prices not less than 95% of the fair market value on the day the options were granted. The options are exercisable in installments beginning not earlier than one year after date of grant over a period not exceeding ten years from the date of grant. During 1972, options were exercised in respect of 11,972 shares, for which the Company received $298,000, which has been credited in full to the common shares account, and options for 8,625 shares were terminated. As of December 31, 1972, options for a total of 1,610,544 shares had been exercised, and 77,015 shares (including 36,350 shares for directors and officers) were subject to outstanding options as follows:

Date of grant	Option price per share	Shares for directors and officers	Total shares
August 1966	$32.70	36,350	77,015

This plan was terminated in 1968 except as to options then outstanding and no further options may be granted thereunder.

The Key Employees Incentive Plan, ratified by shareholders at the Special General Meeting on July 17, 1968, authorizes the granting of options to purchase up to 1,000,000 common shares at prices not less than 100% of their market value, pursuant to the Plan, on the day the option is granted. The Plan provides that no shares subject to option shall be purchasable prior to the expiration of one year after the date of grant nor after a period not exceeding ten years from the date of grant. During 1972, options were granted for 108,000 shares and options for 46,127 shares were terminated.

As of December 31, 1972, 405,002 shares were available for future grants and 591,036 shares (including 328,550 shares for directors and officers) were subject to outstanding options as follows:

Date of grant	Option price per share	Shares for directors and officers	Total shares
February 1969	$37.75	152,000	177,500
April 1969	37.44	27,050	154,336
August 1969	35.19	—	3,000
April 1970	45.88	31,500	74,575
September 1970	40.00	4,000	4,000
April 1971	44.50	33,500	69,625
January 1972	32.32	23,000	26,000
April 1972	33.00	20,000	20,000
October 1972	34.50	37,500	62,000
		328,550	591,036

Note 13 - Capital Surplus

Capital surplus was unchanged during each year. It includes $11,664,000 representing the amount received in 1930 for common shares in excess of the capital value assigned thereto, this amount being "distributable surplus" as defined by the Canada Corporations Act.

Trust funds retirement system and other pension plans

There are five irrevocable Trust Funds in Canada, the United States and the United Kingdom to implement the Retirement System and the other pension plans for the Company's employees. While the accounts of these Trust Funds are separate and distinct from the accounts of the Company and its subsidiaries, a summary of the accounts of the five funds appears in the ensuing paragraph for general information purposes.

At the beginning of the year, Government bonds and other marketable securities at cost, cash and other assets in the hands of the Trustees aggregated $242,811,000. During the year total contributions paid to the Trustees by the Company and employees were $8,771,000, income from investments was $14,606,000, and Retirement System and other pension plan benefits of $12,673,000 were paid from the Trust Funds. Accordingly, on December 31, 1972, the Trustees had assets in hand of $252,772,000. These figures are expressed in United States currency, and exchange adjustments during the year resulted in a decrease of $743,000 in terms of that currency.

At February 15, 1973 the Trustees of the three Canadian Trust Funds and of the United States and British Funds were:

Canadian Funds	**United States Fund**
G. Arnold Hart	Ellmore C. Patterson
Peter D. Curry	William C. Bolenius
Allen T. Lambert	H.C.F. Mockridge
H.C.F. Mockridge	Samuel H. Woolley
Charles F. Baird	Charles F. Baird

British Fund

International Nickel (Retirement System) Trustees Limited

Counsel

Sullivan & Cromwell
Osler, Hoskin & Harcourt

Auditors

Price Waterhouse & Co.

Transfer Agents

Canada Permanent Trust Company, Toronto, Ont.
The Royal Trust Company, Montreal, P.Q.
Canada Permanent Trust Company, Calgary, Alberta
Bankers Trust Company, New York, N.Y.
Morgan Grenfell & Co. Limited, London, England

Registrars

Montreal Trust Company, Toronto, Ont.
Montreal Trust Company, Montreal, P.Q.
Montreal Trust Company, Calgary, Alberta
Morgan Guaranty Trust Company of New York, New York, N.Y.
Lloyds Bank Limited, London, England

Ten-Year Review

The International Nickel Company of Canada, Limited and subsidiaries

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Operating Data*										
Ore mined—dry short tons	**19,200**	27,600	27,700	18,300	24,300	19,900	17,100	19,300	16,100	13,300
Nickel deliveries—pounds	**425,100**	342,500	518,900	382,200	480,800	463,500	500,200	493,000	444,200	350,700
Copper deliveries—pounds	**308,200**	340,300	348,100	208,200	314,200	310,900	293,000	275,900	286,500	253,600
Platinum-group metals and gold deliveries—troy ounces	**452**	437	388	422	441	476	501	511	545	439
Financial Data*										
Net Sales	**$ 900,300**	789,200	1,055,800	684,200	767,300	713,200	694,100	634,800	572,100	466,800
Costs and Expenses	**$ 706,000**	632,000	699,700	497,600	521,500	475,100	489,900	379,200	346,300	292,600
Depreciation and Depletion	**$ 56,300**	50,600	37,600	33,500	29,300	26,100	26,200	26,500	27,500	26,200
Income Taxes	**$ 42,300**	23,100	121,100	57,700	86,800	78,300	69,000	93,500	66,700	43,600
Net Earnings	**$ 109,900**	94,200	208,600	116,500	143,700	141,800	118,200	143,800	135,800	106,300
Per Common Share†	**$ 1.47**	1.26	2.80	1.56	1.93	1.90	1.59	1.94	1.84	1.44
Dividends	**$ 74,500**	96,900	104,200	89,300	91,500	89,100	83,100	90,300	81,300	66,300
Per Common Share†	**$ 1.00**	1.30	1.40	1.20	1.23	1.20	1.12	1.22	1.10	0.90
Capital Expenditures**	**$ 125,200**	244,200	272,500	175,200	175,400	145,700	73,000	62,700	44,400	36,000
Exploration Expenditures**	**$ 18,700**	32,900	31,900	19,900	17,000	13,300	11,700	12,300	7,600	6,400
Internal Cash Flow	**$ 14,400**	(353,900)	(87,700)	(81,800)	(47,600)	(43,800)	(15,200)	23,400	71,900	32,200
Net Working Capital	**$ 395,700**	387,300	375,800	356,300	430,800	321,000	373,600	375,200	342,000	292,700
Net Property, Plant and Equipment	**$1,402,200**	1,351,900	1,167,700	940,000	798,300	652,200	532,600	485,700	450,300	435,700
Total Assets‡	**$2,078,300**	2,094,800	1,827,400	1,477,000	1,396,200	1,120,300	1,022,800	986,800	898,500	809,600
Capitalization										
Long-Term Debt	**$ 433,900**	453,900	286,700	184,300	178,300	—	—	—	—	—
Shareholders' Equity	**$1,087,100**	1,051,400	1,052,500	946,500	918,400	865,200	808,400	770,900	713,400	654,300
Invested Capital	**$1,521,000**	1,505,300	1,339,200	1,130,800	1,096,700	865,200	808,400	770,900	713,400	654,300
Return on Invested Capital	**7.2%**	6.3%	15.6%	10.3%	13.1%	16.4%	14.6%	18.7%	19.0%	16.2%
Other Statistics										
Employees	**32,082**	36,089	37,313	34,321	33,314	32,552	31,837	32,512	30,501	26,907
Shareholders	**92,024**	92,217	84,320	84,219	75,587	64,207	67,120	65,965	63,993	64,178

* Expressed in thousands.

** Includes capitalized exploration expenditures.

† As adjusted to reflect the split of shares on a 2½-for-1 basis in 1968.

‡ Does not include any value for the minerals in the major portion of the Company's ore reserves.

The International Nickel Company of Canada, Limited (as of July, 1973)

Officers

President and Chief Officer
L. Edward Grubb

Executive Vice-President
J. Edwin Carter

Senior Vice-Presidents
Charles F. Baird
Kenneth A. DeLonge
John McCreedy
William Steven

Vice-President and Secretary
Ashby McC. Sutherland

Comptroller
Ian McDougall

Treasurer
Harold R. Hiser, Jr.

Chairman
Albert P. Gagnebin

Vice-Chairman
James C. Parlee

Vice-Presidents
Frank C. Burnet
Paul H. Flynn
Shane MacKay
Charles E. O'Neill
Dean D. Ramstad
John H. Reevy
Louis S. Renzoni
H. Franklin Zurbrigg

Principal Subsidiaries and Divisions

The International Nickel Company, Inc., New York
John H. Page
President and Chief Officer

Ontario Division, Sudbury
Ronald R. Taylor
President

Henry Wiggin & Company Limited, Hereford, England
Anthony T. Shadforth
Chairman and Chief Officer

Canadian Marketing Division, Toronto
Kenneth H. J. Clarke
President

International Nickel Australia Limited, Sydney
John A. Pigott
President

Exmibal (Guatemala)
Joseph J. Borgatti
President

International Nickel Limited, London
Donald J. Phillips
Chairman and Managing Director

Manitoba Division, Thompson
Donald E. Munn
President

Huntington Alloy Products Division, Huntington, W. Va.
Robert W. Simmons
President

P. T. International Nickel Indonesia, Jakarta
Philip C. Jessup, Jr.
Managing Director

International Nickel Océanie S.A., Paris
Paul Hubert
President

Directors

Term Expires 1974

William C. Bolenius
Former Vice-Chairman of the Board,
American Telephone and Telegraph Company,
New York

J. Edwin Carter
Executive Vice-President

Peter D. Curry
Chairman,
The Investors Group,
Winnipeg

Albert P. Gagnebin
Chairman of the Board

James H. Goss
Former Vice-President,
General Electric Company,
Westbrook, Conn.

Allen T. Lambert
Chairman of the Board and Chief Executive Officer,
The Toronto-Dominion Bank

Donald H. McLaughlin
Chairman of the Executive Committee,
Homestake Mining Company,
San Francisco

James C. Parlee
Vice-Chairman of the Board

Ellmore C. Patterson
Chairman of the Board,
Morgan Guaranty Trust Company of New York

George T. Richardson
President,
James Richardson & Sons, Limited,
Winnipeg

Lucien G. Rolland
President,
Rolland Paper Company, Limited,
Montreal

Ivor D. Sims
Former Executive Vice-President and Director,
Bethlehem Steel Corporation,
Bethlehem, Pa.

Henry S. Wingate
Former Chairman of the Board

Term Expires 1975

David W. Barr
President,
Moore Corporation Limited,
Toronto

Robert W. Bonner, Q.C.
President and Chief Executive Officer,
MacMillan Bloedel Limited,
Vancouver

John J. Deutsch, C.C.
Principal and Vice-Chancellor,
Queen's University,
Kingston, Ont.

Wm. Ward Foshay
Lawyer — Member of the firm of Sullivan & Cromwell,
New York

L. Edward Grubb
President and Chief Officer

G. Arnold Hart, M.B.E.
Chairman of the Board and Chief Executive Officer,
Bank of Montreal

J. K. Jamieson
Chairman,
Exxon Corporation,
New York

H. C. F. Mockridge, Q.C.
Barrister — Member of the firm of Osler, Hoskin & Harcourt,
Toronto

The Rt. Hon. Lord Nelson of Stafford
Chairman,
The General Electric Company Limited,
London, England

The Rt. Hon. Viscount Weir, C.B.E.
Chairman,
The Weir Group Limited,
Glasgow, Scotland

Donald G. Willmot
President,
Molson Industries Limited,
Toronto

Samuel H. Woolley
Chairman,
The Bank of New York

Executive Committee
Albert P. Gagnebin, Chairman; L. Edward Grubb; G. Arnold Hart, M.B.E.; H. C. F. Mockridge, Q.C.; Ellmore C. Patterson; Henry S. Wingate

Audit Committee
James H. Goss, Chairman; David W. Barr; William C. Bolenius; Allen T. Lambert; Ivor D. Sims

Advisory Committee
Henry S. Wingate, Chairman; Norris R. Crump, C.C.; Hon. Lewis W. Douglas, G.B.E.; Albert P. Gagnebin; J. Roy Gordon; L. Edward Grubb; Donald H. McLaughlin; R. Ewart Stavert

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William Steven

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Richard A. Cabell

Assistant to the President
John H. Page

Comptroller
Harry Bowler

Treasurer
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Chairman
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Shane MacKay
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John H. Reevy
Louis S. Renzoni
Ashby McC. Sutherland
H. Franklin Zurbrigg

*Effective March 1, 1973

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President

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Chairman and Chief Officer

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John A. Pigott
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Chairman and Managing Director

Manitoba Division
Donald E. Munn
President

Huntington Alloy Products Division
Robert W. Simmons
President

P. T. International Nickel Indonesia
Philip C. Jessup, Jr.
Managing Director

International Nickel Océanie S.A.
Paul Hubert
President

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Term Expires 1973

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Barrister — Member of the firm of Osler, Hoskin & Harcourt,
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London, England

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Chairman,
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Glasgow, Scotland

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President,
Molson Industries Limited,
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The Bank of New York

Term Expires 1974

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Morgan Guaranty Trust Company of New York

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President,
Rolland Paper Company, Limited,
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PARENT AND PRINCIPAL SUBSIDIARY COMPANIES

The International Nickel Company of Canada, Limited

General Offices: Sudbury, Ontario

Executive Offices:
Toronto-Dominion Centre,
Toronto, Ontario M5K 1E3
One New York Plaza,
New York, N.Y. 10004, U.S.A.

The International Nickel Company, Inc.
General Offices: One New York Plaza,
New York, N.Y. 10004, U.S.A.

Huntington Alloy Products Division
Huntington Office: Huntington,
West Virginia 25720, U.S.A.
New York Office: One New York Plaza,
New York, N.Y. 10004, U.S.A.

International Nickel Limited
General Offices: Thames House,
Millbank, London, SW1P 4QF, England

Henry Wiggin & Company Limited
General Offices: Holmer Road,
Hereford, HR4 9SL, England

OTHER SUBSIDIARIES INCLUDE:

Canada
Canadian Nickel Company Limited, Toronto
International Sales Limited, Toronto

Central America
Exploraciones y Explotaciones Mineras Izabal, S.A.
(Exmibal), Guatemala City

Europe
International Nickel A.G., Zurich
International Nickel B.V., The Hague
International Nickel Benelux S.A., Brussels
International Nickel Deutschland G.m.b.H., Dusseldorf
International Nickel France S.A., Paris
International Nickel Gesellschaft m.b.H., Vienna
International Nickel Iberica Limited, Madrid
International Nickel Italia S.p.A., Milan
International Nickel Océanie S.A., Paris
International Nickel Svenska AB, Stockholm
Henry Wiggin & Company Gesellschaft m.b.H., Vienna
Nickel Alloys International S.A., Brussels
Nickel Alloys International G.m.b.H., Dusseldorf

Asia
International Nickel (India) Private Limited,
Bombay
International Nickel Japan Ltd., Tokyo
P.T. International Nickel Indonesia, Jakarta

Australia
International Nickel Australia Limited, Sydney
Australasian Nickel Alloys, Melbourne

Africa
International Nickel S.A. (Proprietary) Limited,
Johannesburg

PRINCIPAL PROPERTIES, PLANTS, LABORATORIES AND PRODUCTS

Mines:

Shebandowan, Ontario—Shebandowan

Sudbury District, Ontario—Clarabelle, Coleman, Copper Cliff North, Copper Cliff South, Crean Hill, Creighton, Frood-Stobie, Garson, Kirkwood, Levack, Little Stobie, Murray and Totten

Thompson District, Manitoba—Birchtree, Pipe, Soab and Thompson

Concentrators:

Shebandowan, Ontario—Shebandowan

Sudbury District, Ontario—Clarabelle, Copper Cliff, Creighton, Frood-Stobie and Levack

Thompson District, Manitoba—Thompson

Smelters:

Sudbury District, Ontario—Coniston and Copper Cliff—Nickel oxide sinters

Thompson District, Manitoba—Thompson

Iron Ore Recovery Plant:

Sudbury District, Ontario—Iron ore and nickel oxide

Refineries:

Port Colborne, Ontario—Nickel metal

Thompson, Manitoba—Nickel metal and elemental sulphur

Sudbury, Ontario—Copper, gold, silver, selenium, tellurium, semi-refined platinum-group metals, and nickel sulphate

Clydach, Wales—Nickel metal (pellets and powders), and nickel and cobalt salts and oxides

Acton (London), England—Platinum, palladium, rhodium, ruthenium and iridium

Research Laboratories and Pilot Plants:

Sheridan Park and Port Colborne, Ontario

Sterling Forest, New York, and Harbor Island, North Carolina, U.S.A.

Birmingham, England, and Clydach, Wales

Rolling Mills:

Plants—Huntington, West Virginia, and Burnaugh, Kentucky, U.S.A.; Hereford, England—Wrought nickel and high-nickel alloys

Research Laboratories—Huntington, West Virginia, U.S.A.; Hereford, England

Annual Meeting

The Company's Annual Meeting will be held in Toronto on April 18, 1973.

INCO

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

THE INTERNATIONAL NICKEL COMPANY, INC.

INTERNATIONAL NICKEL LIMITED

Printed in Canada

On July 10, the Company entered into a new three-year labour contract with the United Steelworkers of America, covering hourly paid workers at the Company's Ontario Division. The contract agreement was reached without any interruption in production. Labour costs will be significantly higher as a result of this agreement.

During the first half of the year, capital expenditures amounted to $66.4 million, compared with $135 million during the same period last year. The expenditures, for the most part, were applied to the completion of the Company's Canadian modernization and expansion program. This includes three facilities scheduled to go into operation in the third quarter of this year: the mining and milling complex at Shebandowan, Ontario; the foundry additives plant at Port Colborne, Ontario; and the 1,250-foot chimney at Copper Cliff, designed to improve air quality in the Sudbury area. The last major project in the program, the 125,000,000-pound-a-year nickel refinery at Copper Cliff, is scheduled for completion in 1973.

On June 16, 1972, the Japanese Government approved an application by the Company to acquire a 30 percent interest in Shimura Kako Company, Ltd., a Japanese nickel refining enterprise. This interest was acquired on July 7, 1972.

On August 8, the Board of Directors declared a quarterly dividend of 25 cents a share, payable September 20 to shareholders of record August 21. Dividends of 25 cents a share were paid on June 20 and March 20, 1972.

Albert P. Gagnebin Edward Grubb

Chairman *President and Chief Officer*

August 8, 1972

INTERNATIONAL NICKEL

Printed in Canada

INTERIM REPORT TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED
JUNE 30, 1972

THE INTERNATIONAL NICKEL
COMPANY OF CANADA, LIMITED
COPPER CLIFF, ONTARIO

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

AND WHOLLY OWNED SUBSIDIARIES

To the Shareholders:

Earnings for the first six months of 1972 were $49 million, equivalent to 65 cents a common share, compared with $62.6 million or 84 cents a common share, for the first half of 1971.

Second-quarter earnings were $30.3 million or 40 cents a share against $26 million, or 35 cents a share, earned in the comparable period in 1971.

Net sales for the first six months of this year totalled $441.4 million, compared with $440.5 million for the first half of 1971. Second-quarter sales amounted to $245.5 million, compared with the $211.5 million for the corresponding quarter last year.

Both earnings and sales in the second quarter were up markedly over the first quarter of this year. First-quarter earnings were $18.7 million, or 25 cents a share, on sales of $195.9 million.

The improvement in earnings for the second quarter, compared to both the second quarter of last year and the first quarter of this year, was due principally to an increase in deliveries of primary nickel. Some of this increase was due presumably to forward buying by customers against the possibility of a strike at our Ontario Division. Other favorable factors included higher sales of the platinum-group metals and a slight upturn in deliveries of rolling mill products. Total nickel deliveries were up approximately 28 percent over the comparable period last year and 34 percent over the first quarter of this year.

Earnings for the six-month period were unfavorably affected by higher production costs, interest expenses and charges related to employee reductions and expenses associated with the curtailment of production. Second quarter results for 1972 were adversely affected by a charge to costs and expenses consisting of a provision for write-off of certain development expenses and obsolete supplies. In addition, provision was made for the write-off of some facilities which were made obsolete by the adoption of additional pollution control measures.

Consolidated Financial Statements

JUNE 30, 1972

(In Thousands of Dollars)

Earnings

	1972 Six Months	1971 Six Months	1972 Second Quarter	1971 Second Quarter
Net sales	$441,399	$440,526	$245,498	$211,463
Costs and expenses	328,617	312,120	181,649	153,799
Operating earnings before items shown below	112,782	128,406	63,849	57,664
Other income	4,239	5,207	2,535	1,994
	117,021	133,613	66,384	59,658
Other expenses				
Depreciation and depletion	27,657	25,228	13,720	12,741
Interest expense	22,129	12,746	11,195	6,682
Retirement system and pension plans	5,061	5,691	2,517	2,926
Income taxes	13,184	27,299	8,651	11,264
	68,031	70,964	36,083	33.613
Net earnings	$ 48,990	$ 62,649	$ 30,301	$ 26,045
Net earnings per share*	$0.65	$0.84	$0.40	$0.35
Shares outstanding at end of period	74,523,488	74,522,283	74,523,488	74,522,283

* Based on weighted average number of shares outstanding.

Balance Sheet

	June 30, 1972	Dec. 31, 1971		June 30, 1972	Dec. 31, 1971
Cash and securities	$ 70,889	$ 101,326	Accounts payable including current taxes	$ 169,072	$ 194,068
Accounts receivable	171,682	131,413	Notes payable and other obligations	148,205	119,849
			Long-term debt	437,503	453,899
Inventories	458,133	465,448	Deferred income taxes	248,800	238,400
Other assets	28,550	44,645	Other liabilities	44,057	37,119
			Common shares	95,432	95,413
Properties, plant and equipment (net)	1,381,549	1,351,921	Retained earnings and capital surplus	967,734	956,005
	$2,110,803	$2,094,753		$2,110,803	$2,094,753

These statements are expressed in United States currency and are subject to final adjustment and audit at the year end.